

M e m o r a n d u m

To: Panel Members

Date: August 27, 2004

From: Creighton Chan, Manager

Analyst: A. Emerson

Subject: ONE-STEP AGREEMENT FOR **SWINERTON BUILDERS**

CONTRACTOR:

- Training Project Profile: SET-Workers Earning At Least State Avg Hrly Wage
- Legislative Priorities: Locating Into Or Expansion Within California
- Type of Industry: Construction
- Repeat Contractor: Yes
- Contractor's Full-Time Employees
 - *Worldwide:* 1,331
 - *In California:* 600
- ETP Trainees Represented by Union: No
- Name and Local Number of Union Representing ETP Trainees: N/A

CONTRACT:

- Program Costs: \$499,824
- Substantial Contribution: \$0
- Total ETP Funding: \$499,824
- Total In-kind Contribution: \$544,713
 - *Trainee Wages Paid During Training:* \$544,713
 - *Other Contributions:* \$0
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Statewide

INTRODUCTION:

Swinerton Builders (Swinerton), a subsidiary of Swinerton, Inc., is an employee-owned company which traces its family tree to 1888. Since helping rebuild San Francisco after the 1906 earthquake, this construction firm has been building commercial properties, industrial sites, resorts, subsidized housing, public schools, Hollywood sound stages, hospitals and airport terminals throughout California and across the nation. Headquartered in San Francisco, the firm's offices include eight within the State and numerous others scattered throughout the West from Texas to Hawaii; plans for expansion during the past decade have focused on opening new facilities in the North and Southwest. Customers include The Gap, Charles Schwab, Bank of America, the City of Los Angeles, Blue Shield, and University of California campuses in Davis and Merced.

The Company qualifies for Special Employment Training (SET) funds under Title 22, California Code of Regulations, Section 4409(a) for the retraining of frontline workers in occupations that pay at least the state average hourly wage.

MEETING ETP GOALS AND OBJECTIVES:

Swinerton Builders proposes training that will further the following ETP goals and objectives:

- 1) Training is targeted to frontline workers who comprise 100 percent of the persons to be retrained and who are earning high wages: the prevalent wage for trainees in this project is \$35.00 per hour. This meets ETP's legislative mandate to invest in developing the skills of frontline workers and to foster job retention in high-wage, high-skilled jobs.
- 2) Training is also designed to demonstrate the employer's ongoing investment in the training of frontline workers as it continues to expand within the State at an annual growth rate of 5 to 10 percent.

TRAINING PLAN TABLE:

Grp/Trainee Type	Types Of Training	No. Retain	No. Class/Lab Videocnf. Hrs.	No. CBT Hrs.	Cost Per Trainee	Hourly Wage After 90 Days
Job Number 1 Retraitees SET Frontline Workers	Menu: Business Skills Commercial Skills Computer Skills Continuous Improvement	356	24-200	0	\$1,404	*\$20.29-\$60.00
					<u>Prevalent Hourly Wage</u> \$35.00	
					<u>Average Cost Per Trainee</u> \$1,404	
<u>Health Benefits Used To Meet ETP Minimum Wage:</u> *Employer-paid health benefits of at least \$6.00 per hour may be used to meet the ETP minimum hourly wage of \$20.29 for SET frontline workers.					<u>Turnover Rate</u> 11%	<u>% Of Mgrs & Supervisors To Be Trained:</u> 0%
<u>Other Employee Benefits:</u> In addition to health benefits, the participating employer offers the following benefits to employees: vacation time, sick and bereavement leave, short- and long-term disability, employee counseling programs, educational reimbursement, 401(k) plan, death/dismemberment insurance, flexible spending account, employee reward/referral program, relocation assistance, and credit union membership.						

COMMENTS / ISSUES:

Frontline Workers

All participants in this project meet the Panel definition of frontline workers under Title 22 California Code of Regulations, Section 4400(ee)(1). Starting in an entry-level position, project engineers are technically oriented individuals who have administrative duties at the job sites they help oversee. Their obligations consist of, among other things, managing paperwork, not persons, by coordinating the interdependent responsibilities of in-house staff such as administrators, estimators, and schedulers and outside parties like building owners, architects and union-organized construction subcontractors. Similarly, the administrative staff to be enrolled under this project are project assistants to the project engineers, who aid in duties such as project scheduling, staying within budget, and managing contracts.

Production During Training

The proposed Contractor agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

PROPOSED ACTION:

Staff recommends that the Panel approve this Agreement if funding is available and the project meets the Panel priorities.

NARRATIVE:

This is the second ETP project for Swinerton. The first project was conducted in 1987. However, due to the fact that the project was conducted over 15 years ago, no project statistics are available at this time. (ETP files have been archived and current Swinerton personnel have no information on prior project.)

Company representatives cite five significant challenges to maintaining its prominence in the construction industry. The first key change relates to the significant growth the Company is experiencing, which is greatly accelerating the promotion time for project engineers who oversee construction projects. Previously, such an individual would be promoted to project manager in seven to ten years' time; today that rate has been accelerated to four to six years. In order to keep pace with this quickened progress, project engineers no longer have time to learn needed new skills on the job as they advance to positions with increasing responsibility. Under this proposed project, Swinerton Builders seeks to offer courses that will assist employees in new tools and materials to be used, given increasingly sophisticated developments in project management and technologies.

A second notable change for Swinerton relates to its scant profit margins which are growing increasingly thinner, currently at 1 to 2 percent each year. As a result, the two occupations to be retrained under this project--project engineers and administrative staff--must learn to work more resourcefully by taking first-time courses in *continuous improvement skills* such as project management skills, process improvement skills, and scheduling techniques. Swinerton will also be offering various *computer skills* courses to assist project engineers in project management effectiveness, such as resource planning software and cost accounting.

NARRATIVE: (continued)

Third, Swinerton Builders is also trying to keep pace with changing trends in the industry, including the current focus on using more environmentally friendly materials in construction projects. "Greenbuilding," which refers to using recyclable materials and materials that do not pollute the environment, is being used increasingly in construction. In consequence, project engineers must continually update their skills in project engineering concepts like these in order to incorporate such changes in building projects; thus, the employer will be offering *commercial skills* courses related to new developments in project engineering to assist its project engineers meet such new challenges within the industry.

In addition, Swinerton states that it faces a very competitive market wherein construction is second only to restaurants in the number of failed businesses. Because there is a large number of construction companies relative to the number of available construction projects, in order to remain successful in this highly competitive field, Swinerton must provide excellent customer service. Under this Agreement, Swinerton will, therefore, offer a variety of *business skills* classes such as better communication skills, new customer service skills, and negotiation skills to ensure customized service to all manner of new clients who are demanding increasingly sophisticated project specifications.

Fifth, Swinerton reports that it faces difficult changes related to its variety of construction projects and its recent acquisitions. Because project engineers and administrative staff are continually dealing with different groups of people with different directives and goals, it has become imperative that Swinerton provide training in the *continuous improvement* skills necessary to ensure that these teams work efficiently and effectively—cross-functional teams comprised of members such as the building owner, architect and subcontracting parties in addition to in-house administrators, estimators, and schedulers. Offering classes like teambuilding, quality concepts, and decision-making is expected to assist both project engineers and administrative staff with facilitating cross-functional teams which will learn to operate more effectively by following standardized processes.

Supplemental Nature of Training

State law requires that ETP funds be used to supplement, rather than displace, funds available through existing programs conducted by employers and government-funded programs. The training described in the attached curriculum will enable Swinerton Builders to develop a training program in new intermediate- and advanced-level skills, which for the first time will target the needs of project engineers and administrative staff. Embarking on such a large-scale training effort will be a new venture for the prospective Contractor which to date has offered only ad hoc, generic, on-the-job instruction, a process which has now resulted in the need to offer intensive classroom training to equip employees with new skills they need prior to working in the field.

The employer projects that this training program will eventually result in not only reduced costs of doing business, but also longer-termed, more stable jobs for program graduates. During the two years following the cessation of ETP training, Swinerton Builders anticipates devoting increasingly more time to implementing training in project management and technological skills.

SUBCONTRACTORS:

The Business Resource and Training Company, Sonoma, California, for the provision of customized courses in subjects and at a rate yet to be determined.

Marketing Avenues, Oakland, California, for the provision of customized courses in subjects and at a rate yet to be determined.

Laura Bayne Speakers, Inc., Los Angeles, California, for the provision of customized courses in subjects and at a rate yet to be determined.

Deloitte & Touche LLP, San Jose, California, for an amount not to exceed 13.04 percent of ETP funds earned, for the provision of administrative services.

THIRD PARTY SERVICES:

Deloitte & Touche LLP provided assistance with the development of the ETP application at an hourly based billing fee not to total more than \$60,000.

Swinerton Builders

MENU CURRICULUM

Class/Lab Hours
24-200

Trainees will receive any of the following:

Business Skills

Communication Skills
Customer Service Skills
Business Writing Skills
Business Development Skills
Risk Management Skills
Business Performance Skills
Negotiating Skills

Commercial Skills

New Developments in Engineering/Construction

Continuous Improvement

Project Management Techniques
Technology Developments
Teambuilding Skills
Problem Solving Skills
Quality Concepts
Process Improvement
Decision Making
Scheduling Techniques

Computer Skills

Advanced Microsoft Skills
Company Intranet
Resource Planning Software
Cost Accounting
Electronic File Control and Communication